

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1996-318-C - ORDER NO. 2011-543
SEPTEMBER 13, 2011

IN RE:	Establishment of Interim Local Exchange)	ORDER DENYING
	Fund to Address Revenue Impact on)	PETITION FOR
	Incumbent Local Exchange Carriers Electing)	CONSOLIDATION OF
	to Reduce Toll Switched Access Rates)	FUNDS

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of the South Carolina Cable Television Association (“SCCTA”) for consolidation of the Interim LEC Fund into the South Carolina Universal Service Fund (“USF”). After hearing oral arguments, we deny the Petition.

Oral arguments were held on June 29, 2011, in the offices of the Commission. SCCTA was represented by Frank R. Ellerbe, III, Esquire. The South Carolina Telephone Coalition (“SCTC”) was represented by M. John Bowen, Jr, Esquire and Margaret M. Fox, Esquire. United Telephone Company of the Carolinas d/b/a CenturyLink was represented by Scott Elliott, Esquire, and Jeanne W. Stockman, Esquire. BellSouth Telecommunications, Incorporated d/b/a AT&T South Carolina was represented by Robert A. Culpepper, Esquire, and John T. Tyler, Esquire. The Office of Regulatory Staff (“ORS”) was represented by Nanette S. Edwards, Esquire.

The Interim LEC Fund was established by this Commission pursuant to S.C. Code Ann. Section 58-9-280 (M) (2010). This fund was initially funded by those entities

receiving an access or interconnection rate reduction from the local exchange carriers (LECs). Distribution of this fund goes to incumbent LECs who have lost revenue by reduction of their switched access rates. The South Carolina Universal Service Fund was established by this Commission pursuant to S.C. Code Ann. Section 58-9-280 (E) (2010), and is to be distributed to carriers of last resort, which include incumbent LECs. All telecommunications companies in South Carolina contribute to the USF as determined by the Commission.

S.C. Code Ann. Section 58-9-280 (M) (Supp. 2010) states in part: “To the extent that affected LECs are entitled to payments from the USF, the Interim LEC Fund must transition into the USF as outlined in Section 58-9-280 (E) when funding for the USF is finalized and adequate to support the obligations of the Interim LEC Fund” (emphasis added). Consideration of the oral arguments convinces us that funding for the USF is neither finalized nor adequate to support the obligations of the Interim LEC Fund at this time.

We appreciate the excellent arguments presented by the attorneys in this case. However, at least two of the attorneys pointed out during the oral argument that there are forces at work in Washington, DC that may change the entire character of the Universal Service Fund at the Federal level, and this could force a change in character of the USF at the State level. (Tr. at 42-47 and 51.) As we have previously heard, the Federal Communications Commission (“FCC”) is scheduled to consider a change in the USF by the end of this year. (See Notice of Proposed Rulemaking, http://transition.fcc.gov/Daily_Releases/Daily_Business/2011/db0209/FCC-11-13A1.pdf

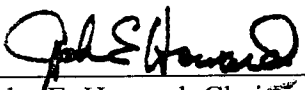
at 11, Paragraph 21.) Accordingly, we do not believe that funding for the USF is finalized at this time.

Further, the Office of Regulatory Staff stated in the oral argument that a consolidation of the Interim LEC Fund into the State USF would cause an increase in the USF factor paid by the end-users – a \$32 million tax increase to the people of South Carolina. (Tr. at 65.) For this reason, it is clear that the USF is not adequate at this time to support the obligations of the Interim LEC Fund.

In summary, since funding for the USF is neither finalized nor adequate, we hold that consolidation of the Interim LEC Fund into the State USF is inappropriate at this time under South Carolina law. Consequently, the SCCTA Petition is denied.

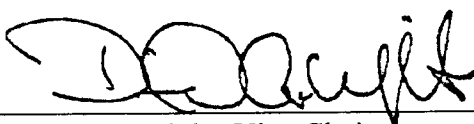
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman

(SEAL)